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CASCADE COUNTY SCHOOL DISTRICT NO. 1

GREAT FALLS, MONTANA

FINANCIAL AND COMPLIANCE AUDIT REPORT

COMPREHENSIVE EMPLOYMENT AND TRAINING ACT

FROM OCTOBER 1, 1978 TO SEPTEMBER 30, 1979

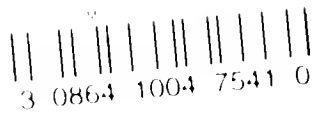
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and Subgrant 9226 Ending November 15, 1979)

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CASCADE COUNTY SCHOOL DISTRICT NO. 1

GREAT FALLS, MONTANA

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(Except for Subgrant 58524 beginning April 3, 1978
and Subgrant 9226 ending November 15, 1979)

AUDIT ORGANIZATION

McGLADREY HENDRICKSON & CO.

BILLINGS, MONTANA

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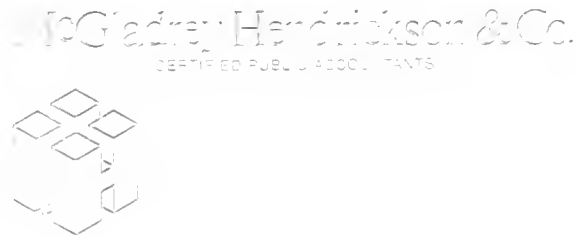
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To the Legislative Audit Committee
Montana State Legislature
Helena, Montana

SUMMARY

We have examined the Schedules listed in the foregoing table of contents which summarize reported financial results and cash position of subgrants awarded by the State of Montana, Department of Labor and Industry, Governor's Employment and Training Council to Cascade County School District No. 1, Great Falls, Montana, as follows:

<u>Grant Number</u>	<u>Prime Sponsor Subgrant Number</u>	<u>CETA Title</u>	<u>Contract Period</u>	<u>Audit Period</u>
30-9-210-18	9192	II ABC	10/01/78 - 09/30/79	10/01/78 - 09/30/79
30-8-210-45 and 30-9-210-05	9226	III STIP	02/05/79 - 11/15/79	02/05/79 - 11/15/79
30-8-210-45 and 30-9-210-05	9229	III STIP	10/01/78 - 04/15/79	10/01/78 - 04/15/79
30-8-210-47	58254	III STIP	04/03/78 - 12/31/78	04/03/78 - 12/31/78
30-9-210-46	9272	IV GYETP	10/01/78 - 09/30/79	10/01/78 - 09/30/79

The audit disclosed:

- The closeout reports submitted were not prepared on an accrual basis current as of the ending date of the subgrant. (All subgrants)
- For some subgrants, details in the subgrant agreement were not consistent with the intended operation of the program. (Subgrant Nos. 58254, 9272, and 9226)
- Administration costs of a subcontractor were included in training costs for the subgrant. (Subgrant No. 9229)
- The Subgrantee incurred costs after the ending date of one of the subgrants. (Subgrant No. 58254)
- The Subgrantee did not have an approved cost allocation plan in accordance with the subgrant agreements. (All subgrants)
- Cash was commingled with the remaining cash of a preceding subgrant. (Subgrant No. 9272)
- Allocations of ledger account balances among CETA cost categories did not provide a clear audit trail. (Subgrant No. 9272)

- The Subgrantee did not maintain adequate control over prior year's accruals. (Subgrant No. 9272)
- The Subgrantee did not maintain adequate control over travel advances. (Subgrant No. 9272)

Exhibits I through V list \$12,180 of questionable expenditures disclosed by the audit. The determination as to whether the costs will be allowable or unallowable under the subgrant will be made by the State of Montana, Department of Labor and Industry, Governor's Employment and Training Council. Exhibits I through V were not prepared for purposes of statistical projection.

SCOPE OF AUDIT

This report covers our examination of the financial results of program operations of the Subgrantee for the subgrants and the periods referred to in the preceding Summary.

Our examination was made in accordance with instructions contained in the CETA Financial and Compliance Audit Guide and provisions of the "Standards for Audit of Governmental Organizations, Programs, Activities and Functions", promulgated by the Comptroller General, which pertain to financial and compliance audits.

Our examination included such tests of the accounting and program records and such other auditing procedures as we considered necessary in the circumstances.

The aforementioned Schedules are required to be prepared in accordance with the Standards for Grantee Financial Management Systems (Federal Management Circular 74-7, Attachment G) in conformity with the CETA Regulations; therefore, they are not intended to present either the financial results of operations or financial position in conformity with generally accepted accounting principles.

Statistical sampling is the preferred method of selecting a sample. Accordingly, in any area where the volume of transactions and record locations would permit, we have used statistical sampling for purposes of determining the audit sample size, selecting the sample items and evaluating the results for the periods examined. Our tests were designed on an attribute sampling basis, based on an expected rate of occurrence of 3% and a confidence level of 90%.

BACKGROUND

Our audit consisted of an examination of the financial and program records related to CETA programs operated by the Subgrantee.

The objectives of the audit were to determine whether the financial operations were properly conducted and documented, whether the Schedules were fairly presented and whether the Subgrantee complied with applicable laws and regulations. Our examination did not include a review of economy and efficiency or a review to determine whether desired results or benefits were achieved.

The audit was made by arrangement with the Prime Sponsor, State of Montana, Department of Labor and Industry, Governor's Employment and Training Council, to provide audits required by the United States Department of Labor and to provide the Prime Sponsor with information about the subgrantee. The audit covered the period October 1, 1978 to September 30, 1979 for all subgrants ended during that period. The audit period was extended for subgrant No. 58254 to operations prior to October 1, 1978 as this subgrant began prior to October 1, 1978 and no interim audit had been performed. The audit period was extended to November 15, 1979 for subgrant No. 9226 to include the entire period of the subgrant.

The Subgrantee examined in this audit was Cascade County School District No. 1. The audit covered all subgrants between the Prime Sponsor and the Subgrantee operated during the applicable periods. These were the first subgrants between the Prime Sponsor and the Subgrantee. Consequently, there was no prior year audit report.

OPINION

Exhibits I through V list \$12,180 of questioned costs disclosed by our audit sampling of the Subgrantee's subgrant records for the periods referred to in the preceding Summary. The determination as to whether such costs will be allowable or unallowable under the subgrant agreements will be made by the State of Montana, Department of Labor and Industry, Governor's Employment and Training Council.

In our opinion, subject to any effects of the ultimate resolution of questioned costs, the Schedules listed in the table of contents present fairly, for the dates and periods indicated on the Schedules, the financial results of operations and CETA cash position of the subgrants awarded to Cascade County School District No. 1 in accordance with the Standards for Grantee Financial Management Systems (Federal Management Circular 74-7, Attachment G) and in conformity with the CETA regulations; and Exhibits I through V present fairly the costs questioned as a result of our audit.

FINDINGS AND RECOMMENDATIONS

Accrual Basis (All Subgrants)

The closeout reports submitted to the Prime Sponsor were not prepared on an accrual basis current as of the ending date of the subgrant. In order to prepare Schedule A for each of the subgrants, it was necessary to review the Subgrantee's cash disbursements to determine the accruals for each subgrant at the ending date. The accruals are as follows:

<u>Subgrant No.</u>	<u>Closeout Date</u>	<u>Amount</u>
9192	9/30/79	\$ 1,736
9226	11/15/79	716
9229	4/15/79	12,421
58524	12/31/78	5,060
9272	9/30/79	3,886

The above accruals were used in determining cash disbursements as of the ending date so that Schedule A for each subgrant reflects the cash on hand as of the ending date of the subgrant.

Recommendation

Prepare closeout reports on an accrual basis current as of the ending date at the subgrant.

Subgrant Modification (Subgrant Nos. 58254, 9272, and 9226)

For subgrant Nos. 58254, 9272, and 9226, the line item budget amounts for the closeout reports did not agree with the most recent modification of the subgrant agreement. Subgrantee personnel were preparing the budgets from documentation other than the subgrant agreements and were not comparing that documentation to the subgrant. As a result, certain line items were overexpended to the point that a subgrant modification would have been required.

Modification 1 for subgrant No. 9226 did not provide an accurate ending date for the program. The Project Operating Plan for this modification listed a program year from October 1, 1979 to September 30, 1980. The narrative of this modification stated that all funds were to be obligated and paid in fiscal year 1979. The subgrant was closed out as of November 15, 1979 which is consistent with similar programs operated by other subgrantees. The subgrant agreement should have been modified to extend the obligational authority for the subgrant and indicate the proper ending date.

Recommendation

Review all subgrant agreements for consistency with what was intended and obtain the appropriate modifications.

Contractor Administrative Costs (Subgrant No. 9229)

The Subgrantee contracted an engineering firm to conduct the actual training of CETA participants. The Contractor submitted periodic invoices which segregated their administrative costs from the training costs, but the Subgrantee included the total amount as training on the closeout report. As a result, \$5,028 of administrative cost is misclassified as training.

Recommendation

Contractor's administrative costs should be classified under the administration cost category.

Costs Incurred After Ending Date (Subgrant No. 58254)

The most recent modification of subgrant No. 58254 set an ending date of December 31, 1978. This subgrant was succeeded by subgrant No. 9226 starting February 5, 1979. There were necessary interim costs incurred in January, 1979 for lease payments, utilities, and the instructor's salary.

The Subgrantee included these costs under subgrant No. 58254. Although neither subgrant agreement addresses under which subgrant these costs were to be included, they would be more appropriate as start up costs for the succeeding subgrant, No. 9226.

Recommendation

Request guidance from Prime Sponsor on how to handle interim costs and obtain necessary subgrant modifications.

Administrative Cost Allocation (All subgrants)

1. The Subgrantee did not have a Grantor approved cost allocation plan as required in the subgrant agreement. Except for subgrant No. 9272, the Subgrantee used a method allocating joint administrative costs based on budgeted amounts for the respective subgrants. Although not the best basis of allocation, the basis is adequate except when applied to the Subgrantee's central administration indirect cost rate. The indirect cost plan was based on direct expenditures of a previous fiscal year, so indirect costs charged to CETA should have been based on direct CETA expenditures. Exhibits I through IV question the differences arising from misapplication of the rate.

Recommendation

Apply indirect cost rates to direct expenditures consistent with the indirect cost plan.

2. For subgrant No. 9272, a significant part of administrative cost consisted of an account titled Fiscal Control. The entire amount budgeted for this account was charged to CETA with no documentation available supporting this cost as either a direct or allocated cost. In addition, there was no provision in the subgrant agreement authorizing a fixed charge against the program.

Recommendation

Obtain or prepare support documentation for all CETA expenditures.

3. As noted, the Subgrantee did not have a cost allocation plan approved by the Prime Sponsor. The allocations made were based on budgeted amounts. As a result, administrative costs charged to CETA consisted of fixed charges against the subgrants, most of which were substantiated. It is recognized that substantial effort is required to develop cost allocation plans and that such plans are not always consistent with the amount of funding available. In such instances when a cost allocation plan is not approved, the subgrantee should negotiate a fixed rate or amount for administrative cost based on past experience with CETA programs. The negotiated rate or amount should be included as a provision in the subgrant agreements.

Recommendation

In lieu of an approved cost allocation plan, negotiate a fixed rate or amount for administrative cost and include it as a subgrant provision.

Cash Balances (Subgrant No. 9272)

For subgrant No. 9272 the ending cash balance exceeded revenues less expenditures for the subgrant by \$1,597. This was after all accruals for this subgrant had been recorded as paid. The remaining cash from a prior subgrant, No. 58257, was commingled with the cash balance of this subgrant in October 1978. The excess cash may be attributable to the previous subgrant and the Subgrantee may owe the Prime Sponsor additional funds.

Recommendation

Identify the source of the excess funds and return the appropriate amount to the Prime Sponsor. In the future, maintain separate ledger accounts for all CETA subgrants.

Allocation Among CETA Cost Categories (Subgrant No. 9272)

For subgrant No. 9272 there were two cost categories, administration and the field learning coordinator, that included salaries and fringe benefits. The Subgrantee, however, maintained only one set of salary and fringe benefit ledger accounts so that those accounts had to be allocated among cost categories. There was no clear audit trail for the allocation of fringe benefits, and, based on the respective salaries and fringe benefit rates, there was a misclassification sometime during the year overstating the field learning coordinator cost category and understating administration by approximately \$500. Such misclassifications could be avoided if separate ledger accounts for salary and fringe benefits are maintained for each cost category.

Recommendation

Maintain separate ledger accounts for salary and fringe benefits for each CETA cost category.

Prior Year's Accruals (Subgrant No. 9272)

The Subgrantee did not maintain separate ledger accounts for amounts accrued at the closeout of a fiscal year 1978 subgrant, No. 58257. Two disbursements that were correctly included as accruals at September 30, 1978 were expended again when paid in fiscal year 1979. As a result, these payments were expended against both the fiscal year 1978 and 1979 subgrants. Maintenance of an accounts payable subsidiary ledger would help prevent such double charges to CETA.

Recommendation

Maintain a subsidiary ledger for accounts payable.

Travel Advances (Subgrant No. 9272)

The Subgrantee does not maintain a control account for travel advances in the manual system for this subgrant. Travel advances are expended when

paid and an adjustment is made when the travel claim is submitted. Although such a procedure does simplify bookkeeping, it does not provide adequate control over outstanding travel advances. In one instance CETA was charged twice for one travel advance. The first voucher was processed but the warrant was never issued, and a second voucher was prepared from which the warrant was paid. The second voucher was recorded as a CETA expenditure without the entry for the first voucher being reversed. As a result, CETA was charged for an expenditure that was not incurred. Maintenance of a travel advance subsidiary ledger would help prevent such double charges to CETA.

Recommendation

Maintain a subsidiary ledger for CETA travel advances.

REVIEW OF INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS

As part of our examination, we made a study of the systems of internal accounting and administrative control to the extent we considered necessary to evaluate the systems as required by the CETA Audit Guide.

The objective of internal accounting and administrative control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting and administrative control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with procedures may deteriorate.

Our study and evaluation of the systems of internal accounting and administrative control for the periods referred to in the preceding Summary would not necessarily disclose all weaknesses in the system; however, in our opinion, the internal accounting and administrative control procedures are in general agreement with procedures prescribed by Federal Regulations and the Department of Labor CETA guidelines which have been determined to be adequate for accountability of assets and compliance with regulations.

EXIT CONFERENCE

An exit conference was held at Helena, Montana on August 5, 1980. Those in attendance were:

Sugrantee- Earl Lamb, Assistant Superintendent for Business

Prime Sponsor:

Florine Smith, Fiscal Bureau Chief

Pat Emerson, Fiscal Manager

Cheryl Leppink, Fiscal Manager

Auditors:

Richard Burris, Manager

Norm Kolpin, Staff

William Erickson, Staff

Audit findings and recommendations were discussed. General agreement was reached as to the need for change.

This report is intended for use in connection with the administration of CETA grants to which it refers and should not be used for any other purposes.

McGladrey Henderson & Co.

Billings, Montana

March 27, 1980

CASCADE COUNTY SCHOOL DISTRICT NO. 1SUMMARY STATEMENT OF ACCRUED EXPENDITURESFROM OCTOBER 1, 1978 TO SEPTEMBER 30, 1979(Except for Subgrant 58524 Beginning April 3, 1978 and Subgrant 9226 Ending November 15, 1979)

C A T E G O R Y	T I T L E						T O T A L	
	II ABC		III		IV		Budget	Accrued Expenditures
	Budget	Accrued Expenditures	Budget	Accrued Expenditures	Budget	Accrued Expenditures		
Administration	\$ 2,310	\$ 2,215	\$ 8,346	\$ 9,055	\$ 35,781	\$ 33,813	\$ 46,437	\$ 45,083
Training	24,476	22,700	131,806	110,766	-	-	156,282	133,466
Services	1,609	1,609	-	-	63,928	57,519	65,537	59,128
Totals	<u>\$ 28,395</u>	<u>\$ 26,524</u>	<u>\$ 140,152</u>	<u>\$ 119,821</u>	<u>\$ 99,709</u>	<u>\$ 91,332</u>	<u>\$ 268,256</u>	<u>\$ 237,677</u>

See Notes to Schedules and Exhibits.

CASCADE COUNTY SCHOOL DISTRICT NO. 1SUMMARY STATEMENT OF ACCRUED EXPENDITURES BY PROGRAM ACTIVITYFROM OCTOBER 1, 1978 TO SEPTEMBER 30, 1979(Except for Subgrant 58524 Beginning April 3, 1978 and Subgrant 9226 Ending November 15, 1979)

<u>PROGRAM ACTIVITY</u>	<u>T I T L E</u>						<u>T O T A L</u>	
	<u>II ABC</u>		<u>III</u>		<u>IV</u>		<u>Budget</u>	<u>Accrued Expendi- tures</u>
	<u>Budget</u>	<u>Accrued Expendi- tures</u>	<u>Budget</u>	<u>Accrued Expendi- tures</u>	<u>Budget</u>	<u>Accrued Expendi- tures</u>		
Classroom training	\$ 28,395	\$ 26,524	\$ 140,152	\$ 119,821	\$ -	\$ -	\$ 168,547	\$ 146,345
Services to participants	-	-	-	-	99,709	91,332	99,709	91,332
Totals	<u>\$ 28,395</u>	<u>\$ 26,524</u>	<u>\$ 140,152</u>	<u>\$ 119,821</u>	<u>\$ 99,709</u>	<u>\$ 91,332</u>	<u>\$ 268,256</u>	<u>\$ 237,677</u>

See Notes to Schedules and Exhibits.

CASCADE COUNTY SCHOOL DISTRICT NO. 1

CETA SUBGRANT NO. 9192, TITLE II ABC

STATUS OF FEDERAL CASH

FROM OCTOBER 1, 1978 TO SEPTEMBER 30, 1979

CASH ON HAND, October 1, 1978	\$ -
INCREASES-	
Federal cash received	23,456
DECREASES-	
Gross disbursements	<u>24,788</u>
CASH (DEFICIT), September 30, 1979 (Note 2)	<u>\$ (1,332)</u>

CASCADE COUNTY SCHOOL DISTRICT NO. 1

CETA SUBGRANT NO. 9192, TITLE II ABC

ADULT BASIC EDUCATION

STATEMENT OF ACCRUED EXPENDITURES

FROM OCTOBER 1, 1978 TO SEPTEMBER 30, 1979

<u>COST CATEGORY</u>	<u>Total Subgrant Budget</u>	<u>Total Accrued Expendi- tures</u>
Administration	\$ 2,310	\$ 2,215
Training	24,476	22,700
Services	<u>1,609</u>	<u>1,609</u>
Totals	<u>\$ 28,395</u>	<u>\$ 26,524</u>

See Notes to Schedules and Exhibits.

CASCADE COUNTY SCHOOL DISTRICT NO. 1

CETA SUBGRANT NO. 9192, TITLE II ABC

SUMMARY SCHEDULE OF QUESTIONED COSTS

FROM OCTOBER 1, 1978 TO SEPTEMBER 30, 1979

<u>COST CATEGORY</u>	<u>Total Amount Questioned</u>	<u>Supporting Exhibit</u>
Administration	<u>\$ 32</u>	I-A

See Notes to Schedules and Exhibits.

CASCADE COUNTY SCHOOL DISTRICT NO. 1

CETA SUBGRANT NO. 9192, TITLE II ABC

DETAILED SCHEDULE OF QUESTIONED COSTS

FROM OCTOBER 1, 1978 TO SEPTEMBER 30, 1979

Part of administrative costs consisted of indirect cost charged at a rate of 1.9%. The amount of indirect cost charged to CETA was based on budgeted direct expenditures for training and administration rather than actual direct expenditures. As a result, indirect cost was a fixed charge against the program and not a percentage of actual direct expenditures. In question is the excess amount charged as follows:

Indirect cost taken	\$ 526
Allowable indirect cost based on actual direct expenditures (\$25,998 x 1.9%)	<u>494</u>
Excess	<u>\$ 32</u>

CASCADE COUNTY SCHOOL DISTRICT NO. 1
CETA SUBGRANT NO. 9226, TITLE III STIP

STATUS OF FEDERAL CASH
FROM FEBRUARY 5, 1979 TO NOVEMBER 15, 1979

CASH ON HAND, February 5, 1979	\$ -
INCREASES-	
Federal cash received	39,800
DECREASES-	
Gross disbursements	<u>39,604</u>
CASH ON HAND, November 15, 1979	<u>\$ 196</u>

CASCADE COUNTY SCHOOL DISTRICT NO. 1

CETA SUBGRANT NO. 9226, TITLE III STIP

CLASSROOM TRAINING

STATEMENT OF ACCRUED EXPENDITURES

FROM FEBRUARY 5, 1979 TO NOVEMBER 15, 1979

<u>COST CATEGORY</u>	<u>Total Subgrant Budget</u>	<u>Total Accrued Expendi- tures</u>
Administration	\$ 2,569	\$ 2,569
Training	<u>46,972</u>	<u>37,751</u>
Totals	<u>\$ 49,541</u>	<u>\$ 40,320</u>

CASCADE COUNTY SCHOOL DISTRICT NO. 1
CETA SUBGRANT NO. 9226, TITLE III STIP

SUMMARY SCHEDULE OF QUESTIONED COSTS
FROM FEBRUARY 5, 1979 TO NOVEMBER 15, 1979

<u>COST CATEGORY</u>	<u>Total Amount Questioned</u>	<u>Supporting Exhibit</u>
Administration	<u>\$ 175</u>	II-A

CASCADE COUNTY SCHOOL DISTRICT NO. 1

CETA SUBGRANT NO. 9226 TITLE III STIP

DETAILED SCHEDULE OF QUESTIONED COSTS

FROM FEBRUARY 5, 1979 TO NOVEMBER 15, 1979

Part of administrative cost consisted of indirect cost charged at a rate of 1.9%. The amount of indirect cost charged to CETA was based on budgeted direct expenditures for training and administration rather than actual direct expenditures. As a result, indirect cost was a fixed charge against the program and not a percentage of actual direct expenditures. In question is the excess amount charged as follows:

Indirect cost taken	\$ 924
Allowable indirect cost based on actual direct expenditures (\$39,396 x 1.9%)	<u>749</u>
Excess	<u><u>\$ 175</u></u>

CASCADE COUNTY SCHOOL DISTRICT No. 1
CETA SUBGRANT NO. 9229, TITLE III STIP

STATUS OF FEDERAL CASH
FROM OCTOBER 1, 1978 TO APRIL 15, 1979

CASH ON HAND, October 1, 1978	\$ -
INCREASES-	
Federal cash received	30,800
DECREASES-	
Gross disbursements	<u>21,631</u>
CASH ON HAND, April 15, 1979	<u>\$ 9,169</u>

CASCADE COUNTY SCHOOL DISTRICT NO. 1
CETA SUBGRANT NO. 9229, TITLE III STIP

CLASSROOM TRAINING
STATEMENT OF ACCRUED EXPENDITURES
FROM OCTOBER 1, 1978 TO APRIL 15, 1979

<u>COST CATEGORY</u>		<u>Total Subgrant Budget</u>	<u>Total Accrued Expendi- tures</u>
Administration	-	\$ 2,044	\$ 2,044
Training		<u>35,742</u>	<u>32,008</u>
Totals		<u>\$ 37,786</u>	<u>\$ 34,052</u>

CASCADE COUNTY SCHOOL DISTRICT NO. 1
CETA SUBGRANT NO. 9229, TITLE III STIP

SUMMARY SCHEDULE OF QUESTIONED COSTS
FROM OCTOBER 1, 1978 TO APRIL 15, 1979

<u>COST CATEGORY</u>	<u>Total Amount Questioned</u>	<u>Supporting Exhibit</u>
Administration	<u>\$ 80</u>	III-A

CASCADE COUNTY SCHOOL DISTRICT No. 1
CETA SUBGRANT NO. 9229, TITLE III STIP

DETAILED SCHEDULE OF QUESTIONED COSTS
FROM OCTOBER 1, 1978 TO APRIL 15, 1979

Part of administrative cost consisted of indirect cost charged at a rate of 1.9%. The amount of indirect cost charged to CETA was based on budgeted direct expenditures for training and administration rather than actual direct expenditures. As a result, indirect cost was a fixed charge against the program and not a percentage of actual direct expenditures. In question is the excess amount charged as follows:

Indirect cost taken	\$ 713
Allowable indirect cost based on actual direct expenditures (\$33,339 x 1.9%)	<u>633</u>
Excess	<u><u>\$ 80</u></u>

CASCADE COUNTY SCHOOL DISTRICT NO. 1
CETA SUBGRANT NO. 58254, TITLE III STIP

STATUS OF FEDERAL CASH
FROM APRIL 3, 1978 TO DECEMBER 31, 1978

CASH ON HAND, April 3, 1978	\$ -
INCREASES-	
Federal cash received	38,582
DECREASES-	
Gross disbursements	<u>40,389</u>
CASH (DEFICIT), December 31, 1978 (Note 2)	<u><u>\$ (1,807)</u></u>

CASCADE COUNTY SCHOOL DISTRICT NO. 1
CETA SUBGRANT NO. 58254, TITLE III STIP

CLASSROOM TRAINING
STATEMENT OF ACCRUED EXPENDITURES
FROM APRIL 3, 1978 TO DECEMBER 31, 1978

<u>COST CATEGORY</u>	<u>Total Subgrant Budget</u>	<u>Total Accrued Expendi- tures</u>
Administration	\$ 3,733	\$ 4,442
Training	<u>49,092</u>	<u>41,007</u>
Totals	<u>\$ 52,825</u>	<u>\$ 45,449</u>

CASCADE COUNTY SCHOOL DISTRICT NO. 1
CETA SUBGRANT NO. 58254, TITLE III STIP

SUMMARY SCHEDULE OF QUESTIONED COSTS
FROM APRIL 3, 1978 TO DECEMBER 31, 1978

<u>COST CATEGORY</u>	<u>Total Amount Questioned</u>	<u>Supporting Exhibit</u>
Administration	\$ 1,109	IV-A
Training	<u>2,396</u>	IV-A
Total	<u>\$ 3,505</u>	

See Notes to Schedules and Exhibits.

CASCADE COUNTY SCHOOL DISTRICT NO. 1

CETA SUBGRANT NO. 58254, TITLE III STIP

DETAILED SCHEDULE OF QUESTIONED COSTS

FROM APRIL 3, 1978 TO DECEMBER 31, 1978

1. Part of administrative cost consisted of indirect cost charged at a rate of 4.2%. The amount of indirect cost charged to CETA was based on budgeted direct expenditures for training and administration rather than actual direct expenditures. As a result, indirect cost was a fixed charge against the program and not a percentage of actual direct expenditures. In question is the excess amount charged as follows:

Indirect cost taken	\$ 2,120
Allowable indirect cost based on actual direct expenditures (\$43,329 x 4.2%)	<u>1,820</u> -
Excess	<u>\$ 300</u> -

2. Modification No. 1 of the subgrant agreement extended the program to December 31, 1978 after which the succeeding program was to start February 5, 1979 (subgrant No. 9226). The Subgrantee continued to incur costs in January 1979 that were charged against this subgrant. The costs involved were lease payments, utilities, and the instructor's salary and fringe benefits which appear to be more appropriately classified as start up costs of the succeeding subgrant. The \$809 in administration and \$2,396 in training costs incurred after the ending date of this subgrant are questioned.

CASCADE COUNTY SCHOOL DISTRICT NO. 1

CETA SUBGRANT NO. 9272, TITLE IV

STATUS OF FEDERAL CASH

FROM OCTOBER 1, 1978 TO SEPTEMBER 30, 1979

CASH ON HAND, October 1, 1978	\$ -
INCREASES-	
Federal cash received	99,700
DECREASES-	
Gross disbursements	<u>87,446</u>
CASH ON HAND, September 30, 1979	<u>\$ 12,254</u>

CASCADE COUNTY SCHOOL DISTRICT NO. 1

CETA SUBGRANT NO. 9272, TITLE IV

FIELD LEARNING PROGRAM

STATEMENT OF ACCRUED EXPENDITURES

FROM OCTOBER 1, 1978 TO SEPTEMBER 30, 1979

<u>COST CATEGORY</u>	<u>Total Subgrant Budget</u>	<u>Total Accrued Expendi- tures</u>
Administration:		
Personal services	\$ 25,556	\$ 21,666
Operating expenses	10,225	12,147
Services:		
Training conferences	31,492	30,852
Supervision and evaluation	12,411	10,597
Field learning coordinator	<u>20,025</u>	<u>16,070</u>
Totals	<u>\$ 99,709</u>	<u>\$ 91,332</u>

CASCADE COUNTY SCHOOL DISTRICT NO. 1

CETA SUBGRANT NO. 9272, TITLE IV

SUMMARY SCHEDULE OF QUESTIONED COSTS

FROM OCTOBER 1, 1978 TO SEPTEMBER 30, 1979

<u>COST CATEGORY</u>	<u>Total Amount Questioned</u>	<u>Supporting Exhibit</u>
Administration:		
Operating expenses	\$ 6,391	V-A
Services:		
Training conferences	1,822	V-A
Supervision and evaluation	<u>- 175</u>	V-A
Total	<u>\$ 8,388</u>	

CASCADE COUNTY SCHOOL DISTRICT NO. 1

CETA SUBGRANT NO. 9272, TITLE IV

DETAILED SCHEDULE OF QUESTIONED COSTS

FROM OCTOBER 1, 1978 TO SEPTEMBER 30, 1979

1. Part of the Subgrantee's operating expenses consisted of a ledger account, Fiscal Control. The total amount budgeted for this account was charged to CETA in two entries. There was no documentation available supporting the charge as an indirect or allocated cost and no authorization in the subgrant agreement permitting this as a fixed charge against the subgrant. For this reason, the \$6,391 charged to the program is questioned.
2. Travel costs in the cost category training conferences included two payments for September 30, 1978 liabilities. These liabilities were previously accrued against the fiscal year 1978 subgrant, but were also expended against this subgrant when paid in fiscal year 1979. Because the payments apply to the previous year's obligations and were expended in that year, the following amounts are questioned:

<u>Voucher No.</u>	<u>Amount</u>
227	\$ 1,122
76	<u>700</u>
Total questioned	<u>\$ 1,822</u>

3. The Subgrantee expends travel advances when paid and then makes an adjustment when the actual travel claim is submitted. Voucher No. 303 was prepared as a travel advance to the field learning specialist in May, 1979 and \$175 was charged to CETA. The warrant for this voucher was never issued but the amount was not reversed in the ledger account. A new voucher, No. 310, was prepared in June from which the field learning specialist was paid the advance. CETA was charged \$175 at this time also. As a result, CETA was charged \$350 when the actual amount incurred was only \$175. The \$175 difference is questioned.

NOTES TO SCHEDULES AND EXHIBITS

1. SIGNIFICANT ACCOUNTING POLICIES AND PROGRAM INCOME:

The Schedules have been prepared in accordance with instructions contained in Standards For Grantee Financial Management Systems (Federal Management Circular 74-7, Attachment G) and in conformity with CETA Regulations. In accordance with these instructions, federal funds received are recognized when cash is received. Expenditures are recognized when incurred. This basis of accounting is not in accordance with generally accepted accounting principles.

No program income was received by any of the subgrant programs during the period covered by these Schedules.

2. CASH DEFICIT:

Subgrant Nos. 9192 and 58254 had cash deficits as of the end of their respective subgrant periods. These deficits resulted from insufficient cash drawings near the end of the subgrant periods, and were being covered temporarily by cash in the Subgrantee's other programs.

3. ADMINISTRATIVE COST POOL:

On April 1, 1979, the Prime Sponsor entered into an Administrative Cost Pool grant with the U.S. Department of Labor. Administrative costs subsequently incurred by subgrantees were funded from the Administrative Cost Pool. The Prime Sponsor did not require subgrantees to separately report administrative costs funded from the Administrative Cost Pool. Administrative costs funded from the Administrative Cost Pool for Title III were \$2,005.

A P P E N D I X

DEPARTMENT OF LABOR AND INDUSTRY
EMPLOYMENT AND TRAINING DIVISION



THOMAS L. JUDGE, GOVERNOR

STATE CAPITOL

STATE OF MONTANA

406 449 5600

HELENA, MONTANA 59601

September 23, 1980

Matt Hims1, Chairperson
Legislative Audit Committee
Montana State Legislature
Office of Legislative Auditor
State Capitol
Helena, MT 59601

Dear Mr. Hims1:

Enclosed is the draft Audit Report which we have accepted for the Cascade County School District No. 1, Great Falls, Montana for CETA Fiscal Year 1979 Subgrants:

- 9192 - Title IIABC, Adult Basic Education
- 9226 - Title III, STIP, Classroom Training
- 9229 - Title III, STIP, Classroom Training
- 58254 - Title III, STIP, Classroom Training
- 9272 - Title IV, GYETP, Field Learning Program

This audit was conducted by McGladrey, Hendrickson & Co., CPA's, under contract with the Employment and Training Division, Department of Labor and Industry. The comments and recommendations contained in this report represent the views of the auditing firm.

Upon your review of this audit report, we will begin a 120 day resolution process with the subgrantee as follows:

1. A copy of the final audit report will be sent to the subgrantee for a thirty (30) day comment period. All findings and recommendations are to be addressed by the subgrantee in their response.
2. The Employment and Training Division will issue a written initial determination which will include a notice giving the subgrantee the opportunity for informal resolution.
3. The subgrantee must request an opportunity for informal resolution within ten (10) days in writing. Following the meeting of all appropriate parties, the Employment and Training Division will notify the subgrantee in writing of the nature of the resolution, if all matters have been informally resolved.

Matt Hims1
September 23, 1980
Page Two

4. The Employment and Training Division will issue a final determination no later than 120 days after the audit report has become final. The final determination will include those matters which were not informally resolved, corrective actions which will be necessary, and inform the subgrantee of the opportunity to request a hearing. Within thirty (30) days of the receipt of the final determination, the subgrantee must submit in writing a request for hearing to the Employment and Training Division.

The Employment and Training Division will attempt to recover all funds which were not expended in accordance with CETA law and regulations. We will also follow-up on any corrective actions necessary for the subgrantee.

Sincerely,

A handwritten signature in dark ink, appearing to read "T. Gary Curtis", written over the typed name.

T. GARY CURTIS
Administrator

Enclosure

FB2/d



